

Budget disappoints, markets back to 200 SMA

Sensex (39736) / Nifty (11662)

NSE:NIFTY, 1D 11661.85 ▼ -300.25 (-2.51%) O:11939.00 H:12017.35 L:11633.30 C:11661.85



TradingView

Source: Trading View

Future outlook

The week started with 'Coronavirus' threat increasing rapidly across the globe. Although, we too reacted to this development, the negativity was not as high as it was in the global peers as participants were mainly focusing on our mega event i.e. 'Union Budget'. But it turned out to be a nightmare for the bulls as we saw sharp cut on the budget day; courtesy to not so encouraging announcements from the Finance Minister. In the process, Nifty ended the extended week with a massive cut of nearly 5% to the previous week's close.

Honestly speaking, this is not the kind of event one would have expected for. Participants were quite hopeful of hearing some positive announcement from the Finance minister. But eventually they left dejected and this is what we could see from such reaction. Now, if we try to analyse the chart, we can see index hastening towards its '200-SMA' before anyone could realise it. In fact, there are multiple indicators that converge in the band of nearly 100 points. This 200-SMA level of **11654** coincides with 161% reciprocal retracement of the rise from **11929.60** to **12430.50**. In addition, the 50% retracement of the entire up move from **10670.25** to **12430.50** comes around **11580**. It does not end here as we can see previous breakout point also at **11660**. Looking at all these supports, bulls would remain a bit hopeful now also. But yes, the confidence may have been completely shaken with the velocity at which we fell on Saturday.

Thus, first half of this week would be quite crucial for our market. If we do not see any escalation on the global as well as domestic front, we may see some recovery from the mentioned supports. However, a failure to do so, one should get prepared for lower levels. Although, the broader market too had undergone a severe correction, the only ray of hope is the higher degree structure of the 'Nifty MIDCAP 50' index. The weekly and monthly time frame charts as of now suggests a retracement move towards the breakout points and hence, just keep your fingers crossed and hope for the negativity to subside in this week. Till then better to stay light and avoid taking undue risks.

Nifty PCR-OI plunged below 1

Nifty spot closed at **11661.85** this week, against a close of **12248.25** last week. The Put-Call Ratio has decreased from **1.42** to **0.86**. The annualized Cost of Carry is negative at **0.84%**. The Open Interest of Nifty Futures has decreased by **1.06%**.

Derivatives View

Nifty current month future closed with a discount of **6.95** points against a premium of **61.25** points to its spot. Next month future is trading with a premium of **38.65** points.

As far as Nifty options activities for the week are concerned, we saw build-up scattered between **11800-12500** call and **11000-12000** put options. Maximum open interest for the monthly series now stands at **12000** put and **12500** call option.

Post last week correction, we started off the week on a negative note and saw follow-up selling towards the important support zone of 12000. On Wednesday, Nifty showed some respite in the opening and managed to conclude above 12100 mark; however, this got sold into and we witnessed extension of massive selling in next three sessions. On Friday, the benchmark index corrected another 2.5% to conclude the week tad below 11700 mark. Last series, we hardly saw any relevant open interest addition MoM and the rollover were also below the averages. In last two sessions, we witnessed huge addition of short positions in Nifty and BankNifty Futures. Considering the above development, we would advise traders to wait for the follow-up move in the next 2-3 trading sessions before initiating any directional positions.

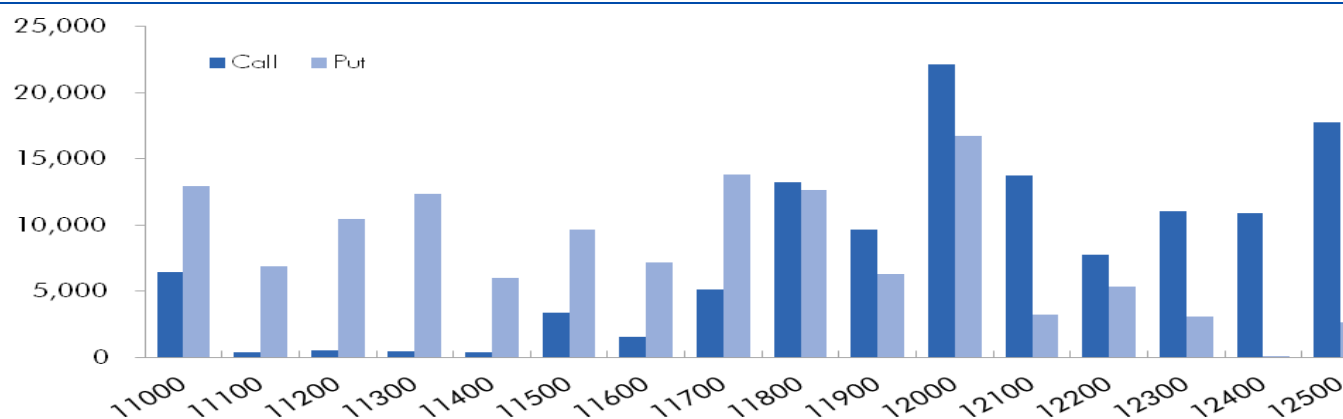
Long Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg (%)
COALINDIA	64662300	74.02	167.70	(13.49)
ONGC	99097000	73.55	100.00	(15.25)
NTPC	146683200	67.19	105.05	(8.25)
OIL	13959693	46.68	118.50	(15.84)
BEL	56442000	36.41	82.45	(19.05)

Short Formation

Scrip	OI Futures	OI Chg (%)	Price	Price Chg (%)
JUBLFOOD	2896500	2.71	1885.85	4.33
TECHM	15853200	2.79	806.85	2.50
HINDUNILVR	9556200	2.09	2078.75	0.26

Weekly change in OI



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